



U.S.-KOREA TRADE AGREEMENT

North Dakota Farmers Will Benefit

December 2010

The U.S.-Korea Trade Agreement, known as the KORUS agreement, will immediately eliminate duties on nearly two-thirds of current U.S. agricultural exports to Korea and gives U.S. exporters improved access to the Korean market for many products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The KORUS agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of North Dakota agricultural products. North Dakota's agricultural exports to all countries, estimated at \$3.2 billion in 2009, supported about 25,600 jobs, on and off the farm. These export sales make an important contribution to the North Dakota farm economy, which had total cash receipts of \$6.4 billion in 2009.

Wheat and Barley. Wheat is the largest source of farm cash receipts for the state with sales of \$1.9 billion in 2009, or 29 percent of the state's total. Barley ranked fifth in the state with sales of \$360 million. North Dakota is the nation's second largest wheat exporter with \$1.2 billion in exports in 2009.

- An unlimited amount of U.S. wheat for milling can enter Korea duty free upon implementation of the agreement.
- Korea's imports of U.S. wheat will no longer be subject to Korea's 1.8-percent tariff or its autonomous tariff-rate quota (TRQ) of 1 percent.
- A new 2,500-metric ton duty-free TRQ established for unhulled and naked barley that will give the United States a tariff advantage over competitors such as Australia and China.
- A new 9,000-ton duty-free TRQ established for unroasted malt and/or malting barley provides the United States with 10- and 20-percent tariff advantages, respectively, over our competitors.

Cattle and Beef. The cattle and calf industry generated cash receipts of \$596 million in 2009, the fourth largest source of farm earnings in the state. Among the KORUS agreement's benefits to North Dakota's cattle and beef industry:

- For beef muscle meats, the KORUS agreement provides a 15-year straight-line tariff phase out of the 40 percent tariff reaching duty-free access in Year 15.
- For beef offals and variety meats, the KORUS agreement provides a 15-year straight-line phase out of the 18 percent tariff reaching duty-free access in Year 15.

Soybeans and Products. North Dakota is a large producer (\$1 billion in 2009) and exporter of soybeans and products, and soybeans are the state's second largest agricultural export with exports of \$612 million in 2009. Under the KORUS agreement:

- The greatest potential benefit for the soybean sector is likely to come from improved access to Korea's 300,000-metric ton market for food-quality soybeans. Korea has agreed to immediately eliminate its

5-percent applied tariff on food-use soybeans. In addition, Korea will establish a duty-free TRQ starting at 10,000 metric tons for identity-preserved soybeans for food use. This quota will operate outside the current state trading entity, which has charged a reported \$250 per ton markup on soybean imports supplied to soybean curd processors.

- Soybeans imports for crushing will enter duty-free upon implementation of the agreement, removing the 1-percent applied tariff.
- Korean tariffs on imports of crude soybean oil, the majority of Korea's soybean oil imports, will decline from the current 5.4-percent tariff over 10 years. Refined oil tariff rates will decline from the current 5.4 percent in five equal annual reductions. Korea's 3-percent tariff on soybean flour and meal will immediately go to zero.

Feed Grains. Corn accounts for the fourth largest source of farm cash receipts with sales of \$806 million in 2009. The KORUS agreement will provide many benefits to the feed grains industry.

- U.S. exports of corn for feed will enter duty free immediately. Korea is currently the third largest market for U.S. corn for feed.
- The agreement includes a new 93,774-metric ton duty-free TRQ for corn for processing that grows quickly to 393,849 tons by year 7, after which quantities will be unrestricted.

Vegetables and Vegetable products including Pulses. North Dakota exported an estimated \$334 million in fresh and processed vegetables in 2009. Under the KORUS agreement:

- A new 3,000-metric ton duty-free TRQ for fresh potatoes and a new 5,000-metric ton duty-free TRQ for dehydrated potatoes will bring opportunities for growers.
- Tariffs for flaxseed, canola, and sunflower seed oil will be phased out over 5-10 years.
- The current 27-percent tariff on most pulses (peas, beans, and other legumes) will be eliminated within 5 years and the tariff for lentils will be removed within 10 years.

Selected Agricultural Product Exports For FY 2009 (Oct. 2008-Sept. 2009)		
Product	U.S. to World	North Dakota to World
Wheat and Barley	\$8,598,230,958	\$1,200,000,000
Cattle and Beef	\$8,906,548,162	\$7,600,000
Soybeans and Products	\$17,708,776,697	\$612,000,000
Feed Grains	\$11,978,685,871	\$286,000,000
Vegetables and Vegetable Products, Including Pulses	\$5,279,075,013	\$334,000,000
Agricultural Total	\$96,632,192,779	\$3,186,000,000

Compiled by ERS using data from Census Bureau, Commerce and NASS.

Note: All State export figures used herein are estimated on a fiscal year basis (October-September) by USDA's Economic Research Service (ERS); all State cash receipt figures are compiled by USDA's National Agricultural Statistics Service (NASS) and ERS on a calendar year basis.

For questions about the U.S.-Korea Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs at (202)720-7115 or LPA@fas.usda.gov.

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